

IDAHO STATE TAX COMMISSION'S 2012 ANNUAL MEETING MINUTES OF MEETING HELD DECEMBER 04, 2012

In attendance: Commissioners David R. Langhorst, Tom Katsilometes, and Ken A. Roberts; Michael Chakarun, Valerie Dilley, Steve Fiscus, Roxanne Lopez, Robin O'Neill, Mark Poppler, Liz Rodosovich, Ted Spangler, Bill von Tagen, Michael Teller, Randy Tilley, Doreen Warren; Alan Dornfest, Leslie Jones, Cheryl Flinn.

Welcome/Introductions/First Impressions.

Commissioner Ken Roberts opened the meeting. The Commissioner welcomed the guests and thanked them for attending the Idaho State Tax Commission's 2012 Annual Meeting. Commissioner Roberts thanked Melissa Nelson, of the Idaho Society of Certified Public Accountants (ISCPA) for providing the refreshments. Then he thanked the Idaho State Historical Museum for cooperating with the agency for the venue, which was a considerable savings this year.

The Commissioner introduced the three Commissioners present, and noted that Commissioner Richard Jackson was absent, due to his representing the Idaho State Tax Commission (ISTC) in Denver at the Multistate Tax Commission's Fall Uniformity and Executive Committee Meetings.

Commissioner Roberts noted his first impressions of the Tax Commission and his discovery that there are very talented qualified employees working at the agency. He added how he experienced a lot of change now serving in the administrative role instead of the legislative role.

Commissioner Roberts said that after attending national tax administration organizations' meetings and sharing with other states' representatives, he learned that Idaho needs to be proud of the Tax Commission because of the good quality of employees it has. He also added that it is imperative that Idaho stay on the cutting edge of technology and continue to safely handle and use taxpayer data information.

Commissioner Roberts introduced Chairman David Langhorst to discuss the theme "Building Bridges with Taxpayers" and the "2 in 2"/Outreach programs.

"2 in 2"/Outreach.

Chairman David Langhorst addressed the theme of Building Bridges with Taxpayers. The Commission initiated the "2 in 2" program to achieve the two goals of public confidence and employee pride in two years. Employee meetings, a process improvement page on the agency intranet, "lunch and learn" sessions, workshops, and supervisor training were some of the communication and learning opportunities in place to achieve employee pride. The goal to achieve public confidence included outreach opportunities, such as speaking tours, Capitol for a Day, visits with editorial boards, county support training, and taxpayer education and support.

Year in Review.

The Chairman reviewed the last year at the ISTC and highlighted the success of the Governor's Challenge. The achievements of modernizing the Information Technology

infrastructure, and updating workstations and the telephone systems, and SharePoint intranet and collaboration sites were also noted. A new Safety and Security Officer, Chuck Pond, was introduced. The last year involved many transitions, and the Chairman thanked the employees for the agency's success.

The Chairman acknowledged Commissioner Ken Roberts who was appointed to the Tax Commission in July. He acknowledged the transition of Tax Policy management from Dan John to Michael Chakarun.

Next, the Chairman noted the significant contributions of Carl Olsson, who retires on January 18, 2013. Carl was honored for his service to the state and vast experience in property tax law, and the Chairman expressed how Carl would be greatly missed.

All of the ISTC employees present were requested to stand, and the Chairman thanked them.

Chairman Langhorst introduced the next presenter, Doreen Warren, the Revenue Operations Division Administrator.

GenTax Upgrade Request.

Revenue Operations. Doreen Warren, the Revenue Operations Division Administrator, presented an informative PowerPoint on Rejuvenating the Core of Idaho's Tax Administration System. Doreen gave an overview of the GenTax tax administration system and addressed the problem of the software being three versions behind, becoming more expensive to maintain, and the requirement of approximately two years to upgrade such a complicated system,.

Doreen explained the critical need and multiple benefits of the proposed GenTax Upgrade and noted this budget request was the agency's top priority for the upcoming fiscal year. The benefits received would substantially improve the agency's ability to serve the taxpayers, increase the system's stability and reliability, and provide a positive return on investment.

Doreen Warren announced a recess to break for refreshments provided by the Idaho Society of Certified Public Accountants (ISCPA). Doreen thanked Ms. Melissa Nelson for providing the refreshments and reminded those in attendance to use the comment cards for the question and answer section of the meeting.

Break.

The meeting was recessed for a ten-minute break for refreshments.

Commissioner Ken Roberts reconvened the meeting and introduced Randy Tilley, the Audit and Collections Division Administrator.

Tax Gap Wrap-up.

Randy Tilley, the Audit and Collections Division Administrator, presented information on the Tax Gap Wrap-up, with a PowerPoint presentation. Randy reviewed the Idaho Tax Gap, estimated at \$275 million overall, with a collectable portion estimate at \$62.5 million. Randy reported on the Tax Gap calculations and estimates from 2009 through 2012, and the recoveries for those calendar years, along with the collections for fiscal years 2009 through 2012.

The total recoveries were significant and the compliance staff delivered well above the requested return on investment, supporting that compliance and enforcement efforts are still cost effective. Randy added that the increased revenues – along with recovery, accounts receivable, and collection case reductions – are indicative of increased voluntary compliance.

Randy introduced Commissioner Tom Katsilometes to discuss Property Tax.

County Software Upgrade.

Commissioner Tom Katsilometes then introduced Steve Fiscus, the Property Tax Division Administrator to speak on the County Software Upgrade.

Steve Fiscus, Property Tax Division Administrator, gave a presentation on the Property Tax Administration Software. Steve discussed the need for new modernized software that will be attractive to most counties. Currently, there are 44 counties with five different systems, and the ISTC supports 32 of 44 counties. Idaho Code § 63-219(4) requires the Tax Commission shall provide software at its expense and the counties have the option to opt out and purchase an approved software.

Current and modernized displays of information on a parcel were used to demonstrate the advantages to the assessors and taxpayers.

Steve noted that Property Tax submitted a budget request for Fiscal Year 2014 for \$285,800 for the modernization of existing software. Steve added that political support from the ISTC, the counties, and the Idaho Association of Counties (IAC) will all be needed to move forward.

Steve introduced Michael Chakarun, the Manager of Tax Policy, to cover Legislation and Negotiated Rule-making.

Legislation and Negotiated Rulemaking.

Michael Chakarun, Tax Policy Manager, presented the 2013 Legislative Proposals from the ISTC. Mike gave an overview of the ISTC responsibility to recommend to the Governor changes to tax laws necessary to remedy injustice and irregularities, and to facilitate assessment and collection of taxes in the most economical and efficient manner. The process this year included 45 ideas solicited from staff agency wide, which were reviewed by the appropriate rules committee. The commissioners reviewed and selected 29 ideas in 21 draft bills and submitted the proposals to the Governor's Office.

Mike highlighted the proposals being submitted for the next legislative session, which dealt with income tax, sales and use tax, and property tax. These included technical corrections for all the tax types, and specific modifications to correct injustices and fix irregularities and to collect tax in the most efficient way possible.

The negotiated rulemaking process has the objective to bring in the taxpayer community and preparer community for participation in a process by which all interested parties and the agency seek a consensus on the content of a rule. The advantages are that this allows an interactive discussion on content, expedites the formal process, and improves quality and acceptance.

Mike added that there would be a comprehensive study on local assessed personal property and operating property, with a compiled list of all the taxing districts on December 18, 2012.

Mike then introduced Commissioner Katsilometes to entertain questions.

Question & Answers.

Commissioner Katsilometes read the questions turned in on the comment cards and the appropriate ISTC staff answered the questions.

Attendees were again thanked for attending and invited to mingle after the meeting to ask any further questions of the Commissioners.

There being no further business, the meeting adjourned.

Valerie Dilley
Secretary

David R. Langhorst
Chairman